



2013 Capitalization Rate Study

**Scheduled Airlines**

## MONTANA DEPARTMENT OF REVENUE

### Direct Capitalization Rate Study Industry: Scheduled Passenger Airlines 2013 Assessment Year

#### Equity Measures Calculated:

##### E/P estimates:

| All    | Median |            |
|--------|--------|------------|
| 11.10% | 9.01%  | Yahoo      |
| 12.48% | 10.58% | Value Line |
| 11.79% | 9.80%  | Average    |

##### Inverse of P/E Ratios:

|        |       |  |
|--------|-------|--|
| 10.54% | 8.76% | Yahoo                                  |
| 10.38% | 9.59% | Value Line                             |
| 10.46% | 9.17% | Average of Inverse of the P/E          |
| 5.22%  | 3.33% | Inverse of median P/E, Value Line      |
| 11.12% | 9.48% | Average of all above except median P/E |

Mean = 9.94%

Median = 10.54%

Equity Measure NUOI = **9.95%**

#### Debt Measure Calculated, Current Yield:

| Annual         | 4th Qtr |              |
|----------------|---------|--------------|
| 13.55%         | 10.12%  | ALL          |
| 5.50%          | 5.19%   | BBB- & Above |
| 6.09%          | 5.96%   | BB- & Above  |
| Mean = 8.38%   | 7.09%   |              |
| Median = 6.09% | 5.96%   |              |

Debt Measure = **8.30%**

| Industry Market Capital Structure Net Utility Operating Income (NUOI) Rate |         |   |       |   |              |
|--|---------|---|-------|---|--------------|
| Equity   | 40.40%  | x | 9.95% | = | 4.02%        |
| Debt   | 59.60%  | x | 8.30% | = | 4.95%        |
|  | 100.00% |   |       |   | 8.97%        |
| Direct Cap Rate NUOI =   |         |   |       |   | <b>9.00%</b> |

#### Gross Cash Flow / Price:

| All    | Median |            |
|--------|--------|------------|
| 28.31% | 27.67% | Value Line |

Equity Measure Gross = **28.00%**

| Industry Market Capital Structure Gross Cash Flow (GCF) Rate |         |   |        |   |               |
|--|---------|---|--------|---|---------------|
| Equity   | 40.40%  | x | 28.00% | = | 11.31%        |
| Debt   | 59.60%  | x | 8.30%  | = | 4.95%         |
|  | 100.00% |   |        |   | 16.26%        |
| Direct Cap Rate GCF =  |         |   |        |   | <b>16.50%</b> |

## MONTANA DEPARTMENT OF REVENUE

### Direct Capitalization Rate Study Industry: Scheduled Freight Airlines 2013 Assessment Year

#### Equity Measures Calculated:

##### E/P estimates:

| All   | Median |            |
|-------|--------|------------|
| 8.61% | 6.91%  | Yahoo      |
| 8.22% | 6.85%  | Value Line |
| 8.41% | 6.88%  | Average    |

##### Inverse of P/E Ratios:

|       |       |  |
|-------|-------|--|
| 8.80% | 6.79% | Yahoo                                  |
| 7.79% | 6.70% | Value Line                             |
| 8.30% | 6.75% | Average of Inverse of the P/E          |
| 6.55% | 5.56% | Inverse of median P/E, V. L.           |
| 8.36% | 6.81% | Average of all above except median P/E |

Mean = 7.99% 6.56%

Median = 8.22% 6.79%

#### Debt Measure Calculated: Current Yield

| Annual | 4th Qtr |              |
|--------|---------|--------------|
| 5.55%  | 4.68%   | ALL          |
| 5.55%  | 4.68%   | BBB- & Above |
| 5.55%  | 4.68%   | BB- & Above  |

Mean = 5.55% 4.68%

Median = 5.55% 4.68%

Debt Measure = **5.50%**

Equity Measure NUOI = **7.90%**

| Industry Market Capital Structure Net Utility Operating Income (NUOI) Rate |         |   |       |   |       |
|--|---------|---|-------|---|-------|
| Equity   | 88.25%  | x | 7.90% | = | 6.97% |
| Debt   | 11.75%  | x | 5.50% | = | 0.65% |
|  | 100.00% |   |       |   | 7.62% |
| Direct Cap Rate NUOI =   |         |   |       |   | 7.75% |

#### Gross Cash Flow / Price:

| All    | Median |            |
|--------|--------|------------|
| 12.69% | 14.51% | Value Line |

Equity Measure Gross = **12.75%**

| Industry Market Capital Structure Gross Cash Flow Rate (GCF) |         |   |        |   |        |
|--|---------|---|--------|---|--------|
| Equity   | 88.25%  | x | 12.75% | = | 11.25% |
| Debt   | 11.75%  | x | 5.50%  | = | 0.65%  |
|  | 100.00% |   |        |   | 11.90% |
| Direct Cap Rate GCF =  |         |   |        |   | 12.00% |

## MONTANA DEPARTMENT OF REVENUE

### Yield Capitalization Rate Study Industry: Scheduled Airlines 2013 Assessment Year

#### Equity Measures Calculated:

|                             | Passenger | Freight |
|-----------------------------|-----------|---------|
| Dividend Growth Model       | 9.50%     | 9.40%   |
| Capital Asset Pricing Model | 11.04%    | 10.88%  |
| Mean =                      | 10.27%    | 10.14%  |

Equity Measure FCF = **10.75%**    **10.00%**

#### Debt Measures Calculated, Yield to Maturity:

|          | All Bonds |         |         |         | 20 Year Plus Bonds |         |         |         |
|----------|-----------|---------|---------|---------|--------------------|---------|---------|---------|
|          | Passenger |         | Freight |         | Passenger          |         | Freight |         |
|          | Annual    | 4th Qtr | Annual  | 4th Qtr | Annual             | 4th Qtr | Annual  | 4th Qtr |
| BBB's    | 2.90%     | 2.88%   | 3.00%   | 3.21%   | 5.77%              | 2.69%   | 4.56%   | 4.32%   |
| BB's     | 6.71%     | 6.83%   | ---     | ---     | ---                | ---     | ---     | ---     |
| CCC - NR | 22.47%    | 15.12%  | ---     | ---     | 3.86%              | 3.71%   | ---     | ---     |
| All =    | 15.40%    | 10.47%  | 3.00%   | 3.21%   | 4.82%              | 4.54%   | 4.56%   | 4.32%   |
| Mean =   | 10.69%    | 8.28%   | 3.00%   | 3.21%   | 4.82%              | 3.20%   | 4.56%   | 4.32%   |
| Median = | 6.71%     | 6.83%   | 3.00%   | 3.21%   | 4.82%              | 3.20%   | 4.56%   | 4.32%   |

Debt Measure Passenger= **12.00%**  
Debt Measure Freight= **4.80%**

| Yield Cap Rate Free Cash Flow - Passenger |         |   |        |   |               |
|---|---------|---|--------|---|---------------|
| Equity                                    | 40.40%  | x | 10.75% | = | 4.34%         |
| Debt                                      | 59.60%  | x | 12.00% | = | 7.15%         |
|   | 100.00% |   |        |   | 11.49%        |
| Weighted Average Cost of Capital (WACC) = |         |   |        |   | <b>11.50%</b> |

| Yield Cap Rate Free Cash Flow - Freight   |         |   |        |   |              |
|---|---------|---|--------|---|--------------|
| Equity                                    | 88.25%  | x | 10.00% | = | 8.82%        |
| Debt                                      | 11.75%  | x | 4.80%  | = | 0.56%        |
|   | 100.00% |   |        |   | 9.39%        |
| Weighted Average Cost of Capital (WACC) = |         |   |        |   | <b>9.50%</b> |

Where Assumed Growth Rate = Inflation

see appendix for calculation

Inflationdata.com

1/16/2013

2.47%

1.74%

Growth = **2.00%**

## MONTANA DEPARTMENT OF REVENUE

### Support for Industry Capital Structure from Value Line and YaHoo Finance

Industry: Airlines  
2013 Assessment Year

| A                                    | B             | C            | D                 | E                                   | F                         | G                       | H                             | I                               | J                          | K                   | L                      |
|--------------------------------------|---------------|--------------|-------------------|-------------------------------------|---------------------------|-------------------------|-------------------------------|---------------------------------|----------------------------|---------------------|------------------------|
| Company                              | Ticker Symbol | (VL) Fin Str | (VL) Shares (000) | (YAHOO) Avg Price Common<br>4th Qtr | (VL) Book Value Per Share | Mkt Value Common<br>DxE | (VL) Book Value Common<br>DxF | (VL) Book Value Preferred (000) | (VL) Book Value Debt (000) | Mkt/Book Debt Ratio | Mkt Value Pref. & Debt |
| AMR Corp.                            | AAMRQ         |              | 335,300           | 0.52                                | (21.21)                   | 174,356                 | (7,111,713)                   | 0                               | 9,863,000                  | 1.00                | 9,863,000              |
| <b>Allegiant Travel</b>              | <b>ALGT</b>   | <b>B+</b>    | <b>19,100</b>     | <b>71.86</b>                        | <b>18.42</b>              | <b>1,372,494</b>        | <b>351,822</b>                | <b>0</b>                        | <b>138,200</b>             | <b>1.00</b>         | <b>138,200</b>         |
| <b>Alaska Air Group</b>              | <b>ALK</b>    | <b>B</b>     | <b>70,900</b>     | <b>40.18</b>                        | <b>16.54</b>              | <b>2,848,762</b>        | <b>1,172,686</b>              | <b>0</b>                        | <b>1,099,000</b>           | <b>1.00</b>         | <b>1,099,000</b>       |
| <b>Delta Air Lines</b>               | <b>DAL</b>    | <b>C++</b>   | <b>845,200</b>    | <b>10.14</b>                        | <b>(1.65)</b>             | <b>8,573,145</b>        | <b>(1,394,580)</b>            | <b>0</b>                        | <b>11,847,000</b>          | <b>1.00</b>         | <b>11,847,000</b>      |
| JetBlue Airways                      | JBLU          | C++          | 281,800           | 5.24                                | 6.24                      | 1,476,632               | 1,758,432                     | 0                               | 2,850,000                  | 1.00                | 2,850,000              |
| US Airways Group                     | LCC           | C+           | 162,100           | 12.23                               | 0.93                      | 1,982,483               | 150,753                       | 0                               | 4,130,000                  | 1.00                | 4,130,000              |
| Southwest Airlines                   | LUV           | B+           | 772,600           | 9.36                                | 8.90                      | 7,231,536               | 6,876,140                     | 0                               | 3,107,000                  | 1.00                | 3,107,000              |
| <b>Republic Airways Holdings Inc</b> | <b>RJET</b>   | <b>C+</b>    | <b>48,400</b>     | <b>5.23</b>                         | <b>9.51</b>               | <b>252,890</b>          | <b>460,284</b>                | <b>0</b>                        | <b>2,074,500</b>           | <b>1.00</b>         | <b>2,074,500</b>       |
| Spirit Airlines                      | SAVE          | B+           | 72,500            | 17.13                               | 6.43                      | 1,241,925               | 466,175                       | 0                               | 0                          | 1.00                | 0                      |
| <b>SkyWest</b>                       | <b>SKYW</b>   | <b>B</b>     | <b>50,600</b>     | <b>11.42</b>                        | <b>26.36</b>              | <b>577,599</b>          | <b>1,333,816</b>              | <b>0</b>                        | <b>1,607,000</b>           | <b>1.00</b>         | <b>1,607,000</b>       |
| United Cont'l Hldgs.                 | UAL           | C++          | 330,900           | 20.86                               | 5.46                      | 6,900,920               | 1,806,714                     | 0                               | 11,424,000                 | 1.00                | 11,424,000             |
| Atlas Air Worldwide                  | AAWW          | B+           | 26,300            | 46.86                               | 43.24                     | 1,232,330               | 1,137,212                     | 0                               | 680,000                    | 1.00                | 680,000                |
| <b>Air T Inc</b>                     | <b>AIRT</b>   | <b>B+</b>    | <b>2,400</b>      | <b>8.43</b>                         | <b>11.06</b>              | <b>20,240</b>           | <b>26,544</b>                 | <b>0</b>                        | <b>0</b>                   | <b>1.00</b>         | <b>0</b>               |
| Air Transport Services Grp.          | ATSG          | C++          | 64,000            | 3.91                                | 4.22                      | 250,347                 | 270,080                       | 0                               | 333,700                    | 1.00                | 333,700                |
| <b>FedEx Corp.</b>                   | <b>FDX</b>    | <b>A</b>     | <b>317,000</b>    | <b>90.17</b>                        | <b>46.46</b>              | <b>28,584,418</b>       | <b>14,727,820</b>             | <b>0</b>                        | <b>1,250,000</b>           | <b>1.00</b>         | <b>1,250,000</b>       |
| <b>United Parcel Serv.</b>           | <b>UPS</b>    | <b>A</b>     | <b>963,000</b>    | <b>72.90</b>                        | <b>7.30</b>               | <b>70,199,490</b>       | <b>7,029,900</b>              | <b>0</b>                        | <b>11,095,000</b>          | <b>1.00</b>         | <b>11,095,000</b>      |

#### SUMS & AVERAGES

|                              |             |            |            |            |
|------------------------------|-------------|------------|------------|------------|
| ALL                          | 132,919,567 | 37,568,378 | 61,498,400 | 61,498,400 |
| PASSENGER AIRLINES           | 32,632,742  | 14,376,822 | 48,139,700 | 48,139,700 |
| MEDIAN OF PASSENGER AIRLINES | 1,476,632   | 1,172,686  | 2,978,500  | 2,978,500  |
| FREIGHT CARRIERS             | 100,286,825 | 23,191,556 | 13,358,700 | 13,358,700 |
| MEDIAN OF FREIGHT CARRIERS   | 1,232,330   | 1,137,212  | 965,000    | 965,000    |

FOREIGN CARRIERS -British Air, World Air Holdings & WestJet Airlines Ltd.

Data not used because of outliers and bankruptcy

\* Bold denotes operations in Montana

\*\* All **Negative** values left out of calculations

| INDUSTRY MARKET STRUCTURE: |         |             |                    |            |         |             |
|----------------------------|---------|-------------|--------------------|------------|---------|-------------|
|                            | ALL     |             | Passenger Airlines |            | Freight |             |
| EQUITY                     | 68.37%  | 132,919,567 | 40.40%             | 32,632,742 | 88.25%  | 100,286,825 |
| DEBT                       | 31.63%  | 61,498,400  | 59.60%             | 48,139,700 | 11.75%  | 13,358,700  |
| TOTAL                      | 100.00% | 194,417,967 | 100.00%            | 80,772,442 | 100.00% | 113,645,525 |

#### Notes/Rational for Changes to Guideline Companies

##### 2013 Notes

AMR Corp in Bankruptcy

Mesa Air Group emerged from bankruptcy as a private company

Great Lakes Airlines data was no longer in ValueLine trading below \$1

Pinnacle Airlines Corp no longer current in ValueLine trading below \$1

# MONTANA DEPARTMENT OF REVENUE

Support for Industry Capital Structure from Value Line and Yahoo Finance

Industry: Airlines

2013 Assessment Year

| A                                    | B             | M              | N                     | O           | P                  | Q                    | R                   | S              | T                                   | U            | V                                | W                     | X                                       | Y            |
|--------------------------------------|---------------|----------------|-----------------------|-------------|--------------------|----------------------|---------------------|----------------|-------------------------------------|--------------|----------------------------------|-----------------------|---|--------------|
| Company                              | Ticker Symbol | (YAHOO)<br>EPS | (YAHOO)<br>E/P<br>M/E | (VL)<br>EPS | (VL)<br>E/P<br>O/E | (VL)<br>CF/S<br>2012 | (VL)<br>CF/P<br>Q/E | (YAHOO)<br>P/E | (YAHOO)<br>Inverse of<br>P/E<br>1/S | (VL)<br>P/E  | (VL)<br>Inverse of<br>P/E<br>1/U | (VL)<br>Median<br>P/E | (VL)<br>Inverse of<br>Median P/E<br>1/W | (VL)<br>Beta |
| AMR Corp.                            | AAMRQ         | (9.64)         | (1,853.85%)           | (2.91)      | (559.62%)          |                      |                     | (0.08)         | (1,311.56%)                         |              |                                  |                       |   | 1.60         |
| <b>Allegiant Travel</b>              | <b>ALGT</b>   | <b>3.85</b>    | <b>5.36%</b>          | <b>4.20</b> | <b>5.84%</b>       | <b>6.75</b>          | <b>9.39%</b>        | <b>19.36</b>   | <b>5.17%</b>                        | <b>15.97</b> | <b>6.26%</b>                     |                       |   | <b>0.75</b>  |
| <b>Alaska Air Group</b>              | <b>ALK</b>    | <b>4.64</b>    | <b>11.55%</b>         | <b>4.75</b> | <b>11.82%</b>      | <b>8.50</b>          | <b>21.15%</b>       | <b>9.40</b>    | <b>10.64%</b>                       | <b>9.31</b>  | <b>10.74%</b>                    | <b>31.00</b>          | <b>3.23%</b>                            | <b>1.10</b>  |
| <b>Delta Air Lines</b>               | <b>DAL</b>    | <b>1.68</b>    | <b>16.56%</b>         | <b>1.80</b> | <b>17.75%</b>      | <b>3.65</b>          | <b>35.98%</b>       | <b>6.41</b>    | <b>15.59%</b>                       | <b>6.63</b>  | <b>15.08%</b>                    |                       |   | <b>1.40</b>  |
| JetBlue Airways                      | JBLU          | 0.47           | 8.97%                 | 0.45        | 8.59%              | 1.45                 | 27.67%              | 11.73          | 8.52%                               | 11.94        | 8.38%                            |                       |   | 1.25         |
| US Airways Group                     | LCC           | 3.31           | 27.06%                | 2.69        | 22.00%             | 5.30                 | 43.34%              | 3.89           | 25.74%                              | 5.15         | 19.42%                           |                       |   | 1.60         |
| Southwest Airlines                   | LUV           | 0.65           | 6.94%                 | 0.55        | 5.88%              | 1.70                 | 18.16%              | 15.41          | 6.49%                               | 17.89        | 5.59%                            | 30.00                 | <b>3.33%</b>                            | 1.00         |
| <b>Republic Airways Holdings Inc</b> | <b>RJET</b>   | <b>(1.75)</b>  | <b>(33.49%)</b>       | <b>0.93</b> | <b>17.80%</b>      |                      |                     | <b>(3.20)</b>  | <b>(31.22%)</b>                     |              |                                  |                       |   | <b>0.90</b>  |
| Spirit Airlines                      | SAVE          | 1.55           | 9.05%                 | 1.60        | 9.34%              | 2.25                 | 13.13%              | 11.12          | 8.99%                               | <b>10.13</b> | <b>9.87%</b>                     |                       |   |              |
| <b>SkyWest</b>                       | <b>SKYW</b>   | <b>0.38</b>    | <b>3.33%</b>          | <b>0.95</b> | <b>8.32%</b>       | <b>6.25</b>          | <b>54.75%</b>       | <b>31.79</b>   | <b>3.15%</b>                        | <b>11.83</b> | <b>8.45%</b>                     | <b>11.00</b>          | <b>9.09%</b>                            | <b>1.15</b>  |
| United Cont'l Hldgs.                 | UAL           | (0.80)         | (3.84%)               | 3.64        | 17.45%             | 6.50                 | 31.17%              | (27.36)        | (3.66%)                             | 10.43        | 9.59%                            |                       |   | 1.60         |
| Atlas Air Worldwide                  | AAWW          | 4.19           | 8.94%                 | 4.70        | 10.03%             | 6.80                 | 14.51%              | 10.40          | 9.61%                               | 9.62         | 10.40%                           |                       |   | 1.65         |
| <b>Air T Inc</b>                     | <b>AIRT</b>   | <b>0.50</b>    | <b>5.93%</b>          | <b>0.26</b> | <b>3.08%</b>       |                      |                     | <b>16.66</b>   | <b>6.00%</b>                        |              |                                  | <b>11.00</b>          | <b>9.09%</b>                            | <b>0.70</b>  |
| Air Transport Services Grp.          | ATSG          | 0.65           | 16.62%                | 0.58        | 14.83%             |                      |                     | 5.87           | 17.04%                              |              |                                  |                       |   | 1.85         |
| <b>FedEx Corp.</b>                   | <b>FDX</b>    | <b>6.23</b>    | <b>6.91%</b>          | <b>6.18</b> | <b>6.85%</b>       | <b>13.08</b>         | <b>14.51%</b>       | <b>14.72</b>   | <b>6.79%</b>                        | <b>14.92</b> | <b>6.70%</b>                     | <b>18.00</b>          | <b>5.56%</b>                            | <b>1.00</b>  |
| <b>United Parcel Serv.</b>           | <b>UPS</b>    | <b>3.38</b>    | <b>4.64%</b>          | <b>4.60</b> | <b>6.31%</b>       | <b>6.60</b>          | <b>9.05%</b>        | <b>21.92</b>   | <b>4.56%</b>                        | <b>15.91</b> | <b>6.29%</b>                     | <b>20.00</b>          | <b>5.00%</b>                            | <b>0.85</b>  |

## SUMS & AVERAGES

|                              |        |        |        |        |        |       |      |
|------------------------------|--------|--------|--------|--------|--------|-------|------|
| ALL                          | 10.14% | 11.06% | 24.40% | 9.87%  | 9.73%  | 5.88% | 1.23 |
| PASSENGER AIRLINES           | 11.10% | 12.48% | 28.31% | 10.54% | 10.38% | 5.22% | 1.24 |
| MEDIAN OF PASSENGER AIRLINES | 9.01%  | 10.58% | 27.67% | 8.76%  | 9.59%  | 3.33% | 1.20 |
| FREIGHT CARRIERS             | 8.61%  | 8.22%  | 12.69% | 8.80%  | 7.79%  | 6.55% | 1.21 |
| MEDIAN OF FREIGHT CARRIERS   | 6.91%  | 6.85%  | 14.51% | 6.79%  | 6.70%  | 5.56% | 1.00 |

FOREIGN CARRIERS -British Air, World Air Holdings &  
WestJet Airlines Ltd.

Data not used because of outliers and bankruptcy

Overall Industry Beta = **1.23**  
Passenger Beta = **1.24**  
Freight Beta = **1.21**

\* Bold denotes operations in Montana

\*\* All **Negative** values left out of calculations

## Notes/Rational for Changes to Guideline Companies

### 2013 Notes

AMR Corp in Bankruptcy

Mesa Air Group emerged from bankruptcy as a private cor

Great Lakes Airlines data was no longer in ValueLine tradi

Pinnacle Airlines Corp no longer current in ValueLine tradi

## MONTANA DEPARTMENT OF REVENUE

Dividend Growth Model  
Industry: Airlines  
2013 Assessment Year

$$K_E = D_1 / P_0 + G_A$$

**KE**= Cost of Equity  
**D1**= Expected Dividends  
**Po**= Current Price Per Share  
**G**= Sustainable Growth

### Scheduled Passenger Airlines

| Company Name                         | Ticker      | Stock Price (Po) | Expected Dividend 1 Year | Dividend Yield (D1/P0) | Dividend Growth (G <sub>1</sub> ) | Ke 1 Year    |
|--------------------------------------|-------------|------------------|--------------------------|------------------------|-----------------------------------|--------------|
| <b>Allegiant Travel</b>              | <b>ALGT</b> | <b>71.86</b>     | <b>Nil</b>               |                        | <b>Nil</b>                        |              |
| <b>Alaska Air Group</b>              | <b>ALK</b>  | <b>40.18</b>     | <b>Nil</b>               |                        | <b>NMF</b>                        |              |
| AMR Corp.                            | AAMRQ       | 0.52             | ---                      |                        | ---                               |              |
| <b>Delta Air Lines</b>               | <b>DAL</b>  | <b>10.14</b>     | <b>Nil</b>               |                        | <b>Nil</b>                        |              |
| JetBlue Airways                      | JBLU        | 5.24             | Nil                      |                        | Nil                               |              |
| Southwest Airlines                   | LUV         | 9.36             | 0.04                     | 0.43%                  | 13.00%                            | 13.43%       |
| US Airways Group                     | LCC         | 12.23            | Nil                      |                        | Nil                               |              |
| <b>Republic Airways Holdings Inc</b> | <b>RJET</b> | <b>5.23</b>      | <b>---</b>               |                        | <b>---</b>                        |              |
| Spirit Airlines                      | SAVE        | 17.13            | Nil                      |                        | NMF                               |              |
| <b>SkyWest</b>                       | <b>SKYW</b> | <b>11.42</b>     | <b>0.16</b>              | <b>1.40%</b>           | <b>4.00%</b>                      | <b>5.40%</b> |
| <b>United Cont'l Hldgs.</b>          | <b>UAL</b>  | <b>20.86</b>     | <b>Nil</b>               |                        | <b>NMF</b>                        |              |
| <b>Totals</b>                        |             | 18.560           | 0.100                    | 0.5%                   | 8.5%                              | 9.04%        |
|                                      |             |                  |                          |                        | Median=                           | 9.41%        |
|                                      |             |                  |                          |                        | Mean=                             | 9.41%        |

Cost of Equity - Domestic, (K<sub>E</sub>) = **9.50%**

### Scheduled Freight Airlines

| Company Name                | Ticker      | Stock Price (Po) | Expected Dividend 1 Year | Dividend Yield (D1/P0) | Dividend Growth (G <sub>1</sub> ) | Ke 1 Year     |
|-----------------------------|-------------|------------------|--------------------------|------------------------|-----------------------------------|---------------|
| Atlas Air Worldwide         | AAWW        | 46.86            | Nil                      |                        | <b>Nil</b>                        |               |
| <b>Air T Inc</b>            | <b>AIRT</b> | <b>8.43</b>      | <b>---</b>               |                        | <b>---</b>                        |               |
| Air Transport Services Grp. | ATSG        | 3.91             | ---                      |                        | ---                               |               |
| <b>FedEx Corp</b>           | <b>FDX</b>  | <b>90.17</b>     | <b>0.56</b>              | <b>0.62%</b>           | <b>7.00%</b>                      | <b>7.62%</b>  |
| <b>United Parcel'B'</b>     | <b>UPS</b>  | <b>72.90</b>     | <b>2.60</b>              | <b>3.57%</b>           | <b>7.50%</b>                      | <b>11.07%</b> |
| <b>Totals</b>               |             | 44.454           |                          | 0.0%                   | 7.3%                              | 7.25%         |
|                             |             |                  |                          |                        | Median=                           | 9.34%         |
|                             |             |                  |                          |                        | Mean=                             | 9.34%         |

Cost of Equity - Freight, (K<sub>E</sub>) = **9.40%**

| MONTANA DEPARTMENT OF REVENUE  |   |                           |              |
|--|---|---------------------------|--------------|
| Capital Asset Pricing Model<br>Industry: Airlines<br>2013 Assessment Year          |   |                           |              |
| $K_E = R_F + \beta (R_M - R_F)$  |   |                           |              |
|  |   | Passenger                 | Freight      |
| $K_E$ = Cost of Equity   |   | 11.04%                    | 10.88%       |
| $R_F$ = Risk Free Rate   |   | 2.95%                     | 2.95%        |
| $\beta$ = Beta   |   | 1.24                      | 1.21         |
| $R_M$ = Market Rate of Return  |   | 9.50%                     | 9.50%        |
| $R_P$ = Equity Risk Premium ( $R_M - R_F$ )  |   | 6.55%                     | 6.55%        |
| <b><math>R_m</math> = Investor's Market Rate of Return</b>                         |   |                           |              |
| Ibbotson, SBBI, Large Company, Average Annual Return, *Arithmetic Average, Ex-Post |   | $R_M$ =                   | 11.80%       |
| Ibbotson, SBBI, Large Company, Average Annual Return, *Geometric Average, Ex-Post  |   | $R_M$ =                   | 9.80%        |
| 3 Stage Dividend Growth Model, S & P 500, See Exhibit, Ex Ante                     |   | $R_M$ =                   | 9.00%        |
|  |   | Mean =                    | 10.20%       |
|  |   | Median =                  | 9.80%        |
|  |   | <b><math>R_M</math>=</b>  | <b>9.50%</b> |
| <b><math>R_f</math> = Risk Free Rate</b>   |   |                           |              |
| Internal Revenue Service, Rev Rule 2012-31 Table 2 December 3, 2012                |   |                           |              |
| Rev Rule 2012-31 Table 2   |   |                           |              |
| Annual Rates   | Short Term - AFR                                      | $R_f$ =                   | 0.27%        |
|  | Mid Term - AFR  | $R_f$ =                   | 0.95%        |
|  | Long Term - AFR                                       | $R_f$ =                   | 2.83%        |
| The ValueLine Investment Survey  |   |                           |              |
| U.S. Treasury Securities January 4, 2013   |   |                           |              |
|  | 3 Month   | $R_f$ =                   | 0.08%        |
|  | 6 Month   | $R_f$ =                   | 0.13%        |
|  | 1 Year  | $R_f$ =                   | 0.15%        |
| Federal Reserve Statistical Release  |   |                           |              |
| Treasury constant Maturities, December 31, 2012                                    |   |                           |              |
| Market yield on U.S. Treasury securities, Annual Averages                          |   |                           |              |
|  | 3-month constant maturity, quoted on investment basis | $R_f$ =                   | 0.05%        |
|  | 6-month constant maturity, quoted on investment basis | $R_f$ =                   | 0.11%        |
|  | 1-year constant maturity, quoted on investment basis  | $R_f$ =                   | 0.16%        |
|  |   | Mean =                    | 0.53%        |
|  |   | Median =                  | 0.15%        |
|  |   | Weighted Mean =           | 0.68%        |
| U.S. Treasury Securities Long-Term December 31, 2012                               |   |                           |              |
|  | 20 year constant maturity                             | $R_f$ = <b>2.54%</b>      |              |
|  | 30 year constant maturity                             | $R_f$ = <b>2.95%</b>      |              |
|  |   | <b><math>R_f</math> =</b> | <b>2.95%</b> |



MONTANA DEPARTMENT OF REVENUE

Historical Stock Price Analysis From YAHOO Finance

Industry: Airlines

2013 Assessment Year

| Ticker                 | Company                       |             | Jan-12             | Feb-12             | Mar-12             | Apr-12             | May-12             | Jun-12             | Jul-12             | Aug-12             | Sep-12             | Oct-12             | Nov-12             | Dec-12             | 4th Qtr Avg. | Annual Avg. | Yahoo P-E | Yahoo EPS Ist 12 mo |
|------------------------|-------------------------------|-------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------|-------------|-----------|---------------------|
| AAMRQ                  | AMR Corp.                     | high<br>low | \$0.74<br>\$0.24   | \$0.83<br>\$0.50   | \$0.53<br>\$0.40   | \$0.60<br>\$0.46   | \$0.58<br>\$0.45   | \$0.58<br>\$0.44   | \$0.56<br>\$0.48   | \$0.53<br>\$0.44   | \$0.50<br>\$0.36   | \$0.40<br>\$0.36   | \$0.53<br>\$0.36   | \$0.99<br>\$0.48   | \$0.52       | \$0.51      | (0.08)    | (9.64)              |
| AAWW                   | Atlas Air Worldwide           | high<br>low | \$47.93<br>\$38.22 | \$52.44<br>\$40.94 | \$50.59<br>\$40.94 | \$50.65<br>\$43.75 | \$53.12<br>\$44.19 | \$47.37<br>\$39.98 | \$47.65<br>\$41.18 | \$54.72<br>\$44.52 | \$57.00<br>\$50.66 | \$55.04<br>\$49.73 | \$49.90<br>\$39.30 | \$45.99<br>\$41.18 | \$46.86      | \$46.96     | 10.40     | 4.19                |
| AIRT                   | Air T Inc                     | high<br>low | \$9.23<br>\$8.22   | \$9.41<br>\$8.44   | \$9.60<br>\$9.05   | \$9.77<br>\$9.34   | \$9.67<br>\$9.00   | \$9.47<br>\$8.03   | \$8.88<br>\$8.07   | \$8.80<br>\$8.07   | \$8.68<br>\$7.76   | \$8.78<br>\$8.28   | \$8.80<br>\$8.08   | \$8.54<br>\$8.12   | \$8.43       | \$8.75      | 16.66     | 0.50                |
| ALGT                   | Allegiant Travel              | high<br>low | \$55.85<br>\$51.56 | \$57.76<br>\$48.00 | \$55.68<br>\$47.32 | \$63.59<br>\$54.20 | \$65.14<br>\$59.03 | \$71.42<br>\$61.76 | \$75.93<br>\$67.77 | \$70.99<br>\$64.32 | \$67.70<br>\$61.63 | \$72.98<br>\$63.40 | \$76.21<br>\$69.50 | \$77.97<br>\$71.09 | \$71.86      | \$63.78     | 19.36     | 3.85                |
| ALK                    | Alaska Air Group              | high<br>low | \$38.58<br>\$35.45 | \$39.77<br>\$33.69 | \$36.31<br>\$34.41 | \$36.62<br>\$33.40 | \$34.55<br>\$31.29 | \$36.50<br>\$32.16 | \$38.46<br>\$34.00 | \$35.58<br>\$33.09 | \$35.94<br>\$32.69 | \$38.59<br>\$34.57 | \$43.07<br>\$37.65 | \$45.15<br>\$42.05 | \$40.18      | \$36.40     | 9.40      | 4.64                |
| Split 2 for 1 March 19 |                               |             |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |              |             |           |                     |
| ATSG                   | Air Transport Services Grp.   | high<br>low | \$6.13<br>\$4.71   | \$6.88<br>\$5.43   | \$5.86<br>\$5.08   | \$5.88<br>\$4.94   | \$5.80<br>\$4.92   | \$5.32<br>\$4.67   | \$5.75<br>\$4.65   | \$4.89<br>\$3.88   | \$4.80<br>\$4.35   | \$4.56<br>\$3.78   | \$4.12<br>\$3.38   | \$4.04<br>\$3.59   | \$3.91       | \$4.89      | 5.87      | 0.65                |
| DAL                    | Delta Air Lines               | high<br>low | \$10.88<br>\$7.83  | \$11.58<br>\$9.40  | \$10.28<br>\$9.07  | \$11.12<br>\$9.78  | \$12.25<br>\$10.03 | \$12.04<br>\$9.89  | \$11.25<br>\$9.08  | \$9.93<br>\$8.46   | \$9.70<br>\$8.42   | \$10.49<br>\$9.11  | \$10.50<br>\$9.21  | \$12.05<br>\$9.50  | \$10.14      | \$10.08     | 6.41      | 1.68                |
| FDX                    | FedEx Corp.                   | high<br>low | \$93.52<br>\$82.79 | \$97.19<br>\$89.42 | \$96.89<br>\$88.03 | \$92.85<br>\$86.20 | \$91.43<br>\$84.86 | \$92.31<br>\$83.80 | \$93.17<br>\$86.22 | \$91.12<br>\$86.87 | \$90.92<br>\$83.92 | \$94.26<br>\$84.21 | \$93.98<br>\$85.15 | \$95.44<br>\$87.99 | \$90.17      | \$89.69     | 14.7215   | 6.23                |
| GLUX                   | Great Lakes Aviation          | high<br>low | \$0.75<br>\$0.65   | \$1.09<br>\$0.75   | \$1.60<br>\$0.76   | \$1.40<br>\$1.01   | \$1.39<br>\$1.10   | \$1.63<br>\$1.25   | \$1.60<br>\$1.09   | \$1.69<br>\$1.09   | \$1.68<br>\$1.50   | \$1.65<br>\$1.15   | \$3.01<br>\$1.15   | \$2.46<br>\$1.35   | \$1.80       | \$1.37      | 1.45      | 1.31                |
| HA                     | Hawaiian Hldgs.               | high<br>low | \$6.98<br>\$5.19   | \$6.81<br>\$5.16   | \$5.47<br>\$4.92   | \$5.89<br>\$4.92   | \$5.90<br>\$5.18   | \$6.66<br>\$5.45   | \$7.00<br>\$5.83   | \$6.60<br>\$5.76   | \$6.00<br>\$5.56   | \$6.02<br>\$5.16   | \$6.29<br>\$5.60   | \$6.86<br>\$6.14   | \$6.01       | \$5.89      | 4.36      | 1.49                |
| JBLU                   | JetBlue Airways               | high<br>low | \$5.97<br>\$5.04   | \$6.32<br>\$4.76   | \$5.39<br>\$4.73   | \$4.95<br>\$4.60   | \$5.24<br>\$4.06   | \$5.44<br>\$4.86   | \$5.94<br>\$5.12   | \$5.43<br>\$4.85   | \$5.18<br>\$4.76   | \$5.36<br>\$4.77   | \$5.48<br>\$4.80   | \$5.99<br>\$5.04   | \$5.24       | \$5.17      | 11.73     | 0.47                |
| JLWT                   | Janel World Trade Ltd         | high<br>low | \$0.15<br>\$0.09   | \$0.12<br>\$0.09   | \$0.19<br>\$0.10   | \$0.15<br>\$0.10   | \$0.10<br>\$0.10   | \$0.10<br>\$0.06   | \$0.06<br>\$0.06   | \$0.08<br>\$0.04   | \$0.08<br>\$0.03   | \$0.07<br>\$0.04   | \$0.07<br>\$0.06   | \$0.15<br>\$0.06   | \$0.08       | \$0.09      | (1.75)    | (0.06)              |
| LCC                    | US Airways Group              | high<br>low | \$8.79<br>\$4.97   | \$9.91<br>\$6.90   | \$7.97<br>\$6.78   | \$10.44<br>\$7.41  | \$13.36<br>\$9.65  | \$13.80<br>\$11.12 | \$14.51<br>\$10.59 | \$11.75<br>\$9.74  | \$12.48<br>\$10.15 | \$12.63<br>\$10.32 | \$13.19<br>\$11.52 | \$13.75<br>\$11.97 | \$12.23      | \$10.57     | 3.89      | 3.31                |
| LUV                    | Southwest Airlines            | high<br>low | \$9.78<br>\$8.22   | \$10.05<br>\$8.67  | \$9.11<br>\$8.03   | \$8.50<br>\$7.76   | \$9.14<br>\$8.00   | \$9.42<br>\$8.58   | \$9.82<br>\$8.45   | \$9.53<br>\$8.81   | \$9.32<br>\$8.75   | \$9.17<br>\$8.68   | \$9.58<br>\$8.70   | \$10.61<br>\$9.42  | \$9.36       | \$9.00      | 15.41     | 0.65                |
| PNCLQ                  | Pinnacle Airlines Corp        | high<br>low | \$1.85<br>\$0.72   | \$1.53<br>\$1.06   | \$1.61<br>\$1.12   | \$0.74<br>\$0.28   | \$0.45<br>\$0.06   | \$0.11<br>\$0.07   | \$0.08<br>\$0.05   | \$0.06<br>\$0.02   | \$0.06<br>\$0.02   | \$0.03<br>\$0.02   | \$0.03<br>\$0.01   | \$0.06<br>\$0.01   | \$0.03       | \$0.42      | (0.02)    | (1.70)              |
| RJET                   | Republic Airways Holdings Inc | high<br>low | \$5.71<br>\$3.39   | \$6.33<br>\$5.00   | \$5.50<br>\$4.49   | \$5.26<br>\$4.71   | \$5.44<br>\$4.68   | \$5.89<br>\$5.25   | \$5.97<br>\$4.32   | \$5.39<br>\$4.09   | \$5.07<br>\$4.30   | \$5.28<br>\$4.56   | \$5.89<br>\$4.41   | \$5.95<br>\$5.26   | \$5.23       | \$5.09      | (3.20)    | (1.75)              |
| SAVE                   | Spirit Airlines               | high<br>low | \$17.19<br>\$13.90 | \$19.96<br>\$16.33 | \$20.70<br>\$18.45 | \$24.23<br>\$19.22 | \$24.75<br>\$19.77 | \$21.00<br>\$17.41 | \$23.13<br>\$18.60 | \$20.95<br>\$19.01 | \$19.93<br>\$15.85 | \$17.99<br>\$16.68 | \$18.00<br>\$15.64 | \$18.00<br>\$16.47 | \$17.13      | \$18.88     | 11.12     | 1.55                |
| SKYW                   | SkyWest                       | high<br>low | \$14.02<br>\$12.53 | \$14.32<br>\$11.36 | \$11.71<br>\$10.77 | \$11.28<br>\$8.52  | \$10.44<br>\$6.91  | \$7.10<br>\$6.25   | \$8.16<br>\$6.50   | \$8.99<br>\$6.25   | \$11.73<br>\$8.77  | \$11.71<br>\$9.90  | \$11.91<br>\$10.81 | \$12.98<br>\$11.18 | \$11.42      | \$10.17     | 31.79     | 0.38                |

MONTANA DEPARTMENT OF REVENUE

# Historical Stock Price Analysis From YAHOO Finance

## Industry: Airlines

### 2013 Assessment Year

| Ticker | Company               |      |         |         |         |         |         |         |         |         |         |         |         |         | 4th Qtr<br>Avg. | Annual<br>Avg. | Yahoo<br>P-E | Yahoo<br>EPS Ist 12<br>mo |
|--------|-----------------------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------|----------------|--------------|---------------------------|
|        |                       |      | Jan-12  | Feb-12  | Mar-12  | Apr-12  | May-12  | Jun-12  | Jul-12  | Aug-12  | Sep-12  | Oct-12  | Nov-12  | Dec-12  |                 |                |              |                           |
| UAL    | United Cont'l Hldgs.  | high | \$23.48 | \$25.84 | \$22.54 | \$23.77 | \$25.50 | \$25.22 | \$24.95 | \$19.99 | \$20.85 | \$21.74 | \$21.65 | \$24.23 | \$20.86         | \$21.29        | (27.36)      | (0.80)                    |
|        |                       | low  | \$17.25 | \$19.96 | \$19.13 | \$20.55 | \$20.84 | \$21.85 | \$18.58 | \$17.45 | \$17.98 | \$18.85 | \$19.12 | \$19.54 |                 |                |              |                           |
| UPS    | United Parcel Serv.   | high | \$76.93 | \$77.55 | \$81.79 | \$80.97 | \$78.91 | \$78.76 | \$80.53 | \$76.88 | \$75.25 | \$74.14 | \$74.50 | \$76.20 | \$72.90         | \$75.35        | 21.92        | 3.38                      |
|        |                       | low  | \$72.15 | \$75.46 | \$75.38 | \$76.56 | \$73.56 | \$72.15 | \$73.51 | \$73.57 | \$71.18 | \$71.02 | \$69.56 | \$71.96 |                 |                |              |                           |
| UTIW   | Uti Worldwide Inc     | high | \$16.07 | \$16.51 | \$17.92 | \$17.91 | \$17.61 | \$15.80 | \$15.26 | \$14.62 | \$14.99 | \$14.47 | \$14.32 | \$14.19 | \$13.61         | \$14.80        | 25.00        | 0.53                      |
|        |                       | low  | \$13.22 | \$14.53 | \$15.15 | \$16.05 | \$15.25 | \$13.79 | \$13.03 | \$12.66 | \$13.15 | \$13.35 | \$13.00 | \$12.31 |                 |                |              |                           |
| WJA.TO | WestJet Airlines Ltd. | high | \$12.55 | \$14.11 | \$14.13 | \$14.79 | \$15.90 | \$16.17 | \$17.18 | \$17.13 | \$17.80 | \$18.26 | \$19.34 | \$20.21 | \$18.53         | \$15.73        | 12.24        | 1.59                      |
|        |                       | low  | \$11.22 | \$12.46 | \$13.13 | \$13.05 | \$14.29 | \$14.56 | \$15.67 | \$15.87 | \$16.31 | \$17.09 | \$17.55 | \$18.71 |                 |                |              |                           |

MONTANA DEPARTMENT OF REVENUE

Support for Debt Rating  
Industry: Airlines  
2013 Assessment Year

STANDARD & POOR'S BOND GUIDE  
BOND CURRENT YIELD

| Company Name                  | Coupon | CUSIP     | Issue               | Maturity Date | S&P Bond Rating | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Avg Full Year | Avg 4th QTR |
|-------------------------------|--------|-----------|---------------------|---------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|-------------|
| United Parcel Service of Amer | 8.38   | 911308AA2 | Deb                 | 4/1/2020      | A+              | 5.94   | 5.98   | 6.12   | 5.94   | 5.99   | 6.01   | 5.96   | 5.99   | 6.05   | 6.05   | 6.06   | 6.10   | 6.02%         | 6.07%       |
| FedEx Corp                    | 8      |           | Nts                 | 1/15/2019     | BBB             | 6.08   | 6.09   | 6.19   | 6.09   | 6.02   | 6.07   | 6.02   | 6.00   | 5.99   | 6.02   | 6.02   | 6.07   | 6.06%         | 6.04%       |
| FedEx Corp                    | 2.625  |           | Gtd NTs             | 8/01/20222    | BBB             |        |        |        |        |        |        |        |        |        | 2.61   | 2.59   | 2.64   | 2.61%         | 2.61%       |
| Federal Express               | 9.65   | 313309AJ5 | Nt                  | 6/15/2012     | BBB-            | 9.34   | 9.42   | 9.47   | 9.54   | 9.63   |        |        |        |        |        |        |        | 9.48%         |             |
| FedEx Corp                    | 3.7875 |           | Gtd NTs             | 8/1/2042      | BBB             |        |        |        |        |        |        |        |        |        | 3.76   | 3.85   | 3.96   | 3.86%         | 3.86%       |
| Federal Express               | 7.6    | 313309AP1 | Nts                 | 7/1/2097      | BBB-            | 5.52   | 5.69   | 5.97   | 5.80   | 5.58   | 5.22   | 5.05   | 5.04   | 5.25   | 4.76   | 4.76   | 4.92   | 5.30%         | 4.81%       |
| Southwest Airlines Co.        | 6.5    | 844741AV0 | Nts                 | 03/01/2012    | BBB-            | 6.47   | 6.50   |        |        |        |        |        |        |        |        |        |        | 6.49%         |             |
| Southwest Airlines Co.        | 5.25   | 844741AW8 | Nts                 | 10/01/2014    | BBB-            | 4.89   | 4.91   | 4.88   | 4.88   | 4.89   | 4.84   | 4.85   |        |        | 4.90   | 4.91   | 4.93   | 4.89%         | 4.91%       |
| Southwest Airlines Co.        | 5.75   | 844741AY4 | Nts                 | 12/15/2016    | BBB-            | 5.15   | 5.18   | 5.24   | 5.16   | 5.18   | 5.19   | 4.96   | 4.96   | 4.98   | 5.06   | 5.06   | 5.08   | 5.10%         | 5.07%       |
| Southwest Airlines Co.        | 5.12   | 844741AX6 | Nts                 | 03/01/2017    | BBB-            | 4.72   | 4.76   | 4.81   | 4.67   | 4.66   | 4.67   | 4.65   | 4.63   | 4.58   | 4.60   | 4.60   | 4.63   | 4.67%         | 4.61%       |
| Southwest Airlines Co.        | 7.375  | 844741AN8 | Deb                 | 03/01/2027    | BBB-            | 6.44   | 6.49   | 6.65   | 6.79   | 6.35   | 6.43   | 6.30   | 6.25   | 6.34   | 6.07   | 6.08   | 6.33   | 6.38%         | 6.16%       |
| Delta Air Lines, Inc.         | 9.5    |           | Sr Second Nt 144a   | 09/15/2014    | BB-             | 8.92   | 8.86   | 8.92   | 8.94   | 9.03   | 8.99   | 9.02   | 9.05   | 9.05   | 9.05   | 9.07   | 9.07   | 9.00%         | 9.06%       |
| Delta Air Lines, Inc.         | 12.25  |           | Sr 2nd Lien Nt 144a | 09/15/2015    | B+              | 11.50  | 11.37  | 11.37  | 11.26  | 11.34  | 11.26  | 11.29  | 11.26  | 11.29  | 11.23  |        |        | 11.32%        | 11.23%      |
| JetBlue Airways Corp.         | 5.5    |           | Deb Conv Ser A      | 9/15/2038     | CCC             |        | 4.31   | 4.43   | 4.54   | 4.30   | 4.26   | 4.13   | 4.50   | 4.55   | 4.28   | 4.37   | 4.09   | 4.34%         | 4.25%       |
| AMR Corp.                     | 9      | 001765AU0 | Deb                 | 08/01/2012    | D               | 31.03  | 31.58  | 21.30  | 18.55  | 19.78  | 16.21  | 14.52  |        |        |        |        |        | 21.85%        |             |
| AMR Corp.                     | 9      | 001765AC0 | Deb                 | 09/15/2016    | D               | 31.03  | 31.58  | 21.17  | 18.55  | 19.56  | 15.85  | 14.45  | 15.25  | 13.95  | 14.34  | 13.63  | 11.25  | 18.38%        | 13.07%      |
| AMR Corp.                     | 10.2   | 001765AE6 | Deb                 | 03/15/2020    | D               | 37.09  | 36.43  | 23.72  | 21.47  | 22.17  | 18.54  | 16.51  | 17.58  | 16.06  | 16.72  | 15.69  | 12.91  | 21.24%        | 15.11%      |
| AMR Corp.                     | 10     | 001765AK2 | Deb                 | 04/15/2021    | D               | 36.36  | 35.71  | 22.67  | 21.05  | 21.97  | 18.18  | 16.19  | 17.24  | 15.74  | 16.39  | 15.38  | 12.65  | 20.79%        | 14.81%      |
| AMR Corp.                     | 9.88   | 001765AG1 | Deb                 | 06/15/2020    | NR              | 35.93  | 35.29  | 24.70  | 20.80  | 21.71  | 17.96  | 16.00  | 17.03  | 15.55  | 16.19  | 15.20  | 12.50  | 20.74%        | 14.63%      |
| AMR Corp.                     | 9.75   | 001765AP1 | Deb                 | 08/15/2021    | NR              | 35.45  | 34.82  | 24.37  | 20.52  | 21.42  | 17.72  | 15.78  | 16.81  | 15.35  | 15.98  | 15.00  | 12.34  | 20.46%        | 14.44%      |
| AMR Corp.                     | 9.8    | 001765AQ9 | Deb                 | 10/01/2021    | NR              | 35.64  | 35.00  | 23.90  | 20.63  | 21.53  | 17.81  | 15.87  | 16.89  | 15.43  | 16.06  | 15.07  | 12.40  | 20.52%        | 14.51%      |
| United Air Lines              | 9.875  |           | Sr Secd Nt 144a     | 8/1/2012      | NR              | 9.45   | 9.38   |        | 9.45   | 9.59   | 9.58   | 9.54   | 9.63   | 9.65   | 9.68   | 9.77   | 9.82   | 9.59%         | 9.76%       |
| United Air Lines              | 10.36  | 909279AQ4 | Eq Tr '91E          | 11/27/2012    | NR              | 13.54  | 13.54  | 13.54  | 13.54  |        |        |        |        |        |        |        |        | 13.54%        |             |
| United Air Lines              | 10.85  | 909279AH4 | Eq Tr '91B          | 02/19/2015    | NR              | 24.66  | 24.66  | 24.66  | 24.66  |        |        |        |        |        |        |        |        | 24.66%        |             |
| Counts of data                |        |           |                     |               |                 | 21     | 22     | 20     | 21     | 19     | 18     | 18     | 16     | 16     | 19     | 18     | 18     | 24            | 19          |

NOTES:

Data downloaded from the S&P website and missing data supplemented from month end Bond Guides when available.

means the data was not available in S&P Guide  
means issuance matured or called  
means 20 year plus bond  
longest term passenger bonds

|              | ALL    |         | Freight Only |         | Passenger Only |         |
|--------------|--------|---------|--------------|---------|----------------|---------|
|              | Annual | 4th Qtr | Annual       | 4th Qtr | Annual         | 4th Qtr |
| BBB's        | 5.53%  | 4.90%   | 5.55%        | 4.68%   | 5.50%          | 5.19%   |
| BB's         | 9.00%  | 9.06%   |              |         | 9.00%          | 9.06%   |
| CCC - NR     | 17.83% | 12.57%  |              |         | 17.83%         | 12.57%  |
| ALL          | 11.55% | 8.68%   | 5.55%        | 4.68%   | 13.55%         | 10.12%  |
| BBB- & Above | 5.53%  | 4.90%   | 5.55%        | 4.68%   | 5.50%          | 5.19%   |
| BB- & Above  | 5.82%  | 5.32%   | 5.55%        | 4.68%   | 6.09%          | 5.96%   |

\*\*Investment Grade (BBB- & Above)

MONTANA DEPARTMENT OF REVENUE

Support for Debt Rating  
Industry: Airlines  
2013 Assessment Year

**STANDARD & POOR'S BOND GUIDE**  
**BOND YIELD TO MATURITY**

| Company Name                  | Coupon | CUSIP     | Issue               | Maturity Date | S&P Bond Rating | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Avg Full Year | Avg 4th QTR |
|-------------------------------|--------|-----------|---------------------|---------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|-------------|
| United Parcel Service of Amer | 8.38   | 911308AA2 | Deb                 | 4/1/2020      | A+              | 2.74   | 2.82   | 3.13   | 2.62   | 2.71   | 2.72   | 2.55   | 2.56   | 2.70   | 2.64   | 2.63   | 2.69   | 2.71%         | 2.65%       |
| Federal Express               | 9.65   | 313309AJ5 | Nt                  | 6/15/2012     | BBB             | 0.86   |        | 0.73   | 1.53   |        |        |        |        |        |        |        |        | 1.04%         |             |
| FedEx Corp                    | 8      |           | Nts                 | 1/15/2019     | BBB             | 2.88   | 2.98   | 3.26   | 2.95   | 2.77   | 2.90   | 2.10   | 2.05   | 2.02   | 2.12   | 2.10   | 2.29   | 2.54%         | 2.17%       |
| FedEx Corp                    | 2.625  |           | Gtd NTs             | 8/1/2022      | BBB             |        |        |        |        |        |        |        |        |        | 2.56   | 2.49   | 2.68   | 2.58%         | 2.58%       |
| FedEx Corp                    | 3.7875 |           | Gtd NTs             | 8/1/2042      | BBB             |        |        |        |        |        |        |        |        |        | 3.71   | 3.83   | 4.00   | 3.85%         | 3.85%       |
| Federal Express               | 7.6    | 313309AP1 | Nts                 | 7/1/2097      | BBB-            | 5.51   | 5.69   | 5.96   | 5.79   | 5.56   | 5.19   | 5.03   | 5.01   | 5.23   | 4.73   | 4.72   | 4.90   | 5.28%         | 4.78%       |
| Southwest Airlines Co.        | 6.5    | 844741AV0 | Nts                 | 03/01/2012    | BBB-            | 1.43   |        |        |        |        |        |        |        |        |        |        |        | 1.43%         |             |
| Southwest Airlines Co.        | 5.25   | 844741AW8 | Nts                 | 10/01/2014    | BBB-            | 2.41   | 2.50   | 2.15   | 2.07   | 2.09   | 1.48   | 1.38   | 1.38   | 1.60   | 1.55   | 1.51   | 1.51   | 1.80%         | 1.52%       |
| Southwest Airlines Co.        | 5.75   | 844741AY4 | Nts                 | 12/15/2016    | BBB-            | 3.15   | 3.29   | 3.50   | 3.11   | 3.14   | 3.15   | 1.95   | 1.89   | 1.91   | 2.27   | 2.23   | 2.27   | 2.66%         | 2.26%       |
| Southwest Airlines Co.        | 5.12   | 844741AX6 | Nts                 | 03/01/2017    | BBB-            | 3.31   | 3.45   | 3.66   | 2.95   | 2.89   | 2.90   | 2.75   | 2.59   | 2.32   | 2.37   | 2.33   | 2.41   | 2.83%         | 2.37%       |
| Southwest Airlines Co.        | 7.375  | 844741AN8 | Deb                 | 03/01/2027    | BBB-            | 5.90   | 5.98   | 6.24   | 6.46   | 5.74   | 5.87   | 5.65   | 5.56   | 5.70   | 5.23   | 5.24   | 5.66   | 5.77%         | 5.38%       |
| Delta Air Lines, Inc.         | 9.5    |           | sr Secnd Nt 144a    | 09/15/2014    | BB-             | 7.03   | 6.75   | 7.03   | 6.09   | 6.61   | 6.42   | 6.54   | 6.75   | 6.75   | 6.76   | 6.88   | 6.86   | 6.71%         | 6.83%       |
| Delta Air Lines, Inc.         | 12.25  |           | Sr 2nd Lien Nt 144a | 09/15/2015    | B+              | 9.65   | 9.18   | 9.18   | 8.81   | 9.08   | 8.81   | 8.89   | 8.81   | 8.89   | 7.19   |        |        | 8.85%         | 7.19%       |
| JetBlue Airways Corp.         | 5.5    |           | Deb Conv Ser A      | 9/15/2038     | CCC             |        | 3.83   | 4.03   | 4.17   | 3.78   | 3.73   | 3.54   | 4.10   | 4.17   | 3.77   | 3.90   | 3.46   | 3.86%         | 3.71%       |
| AMR Corp.                     | 9      | 001765AU0 | Deb                 | 08/01/2012    | D               | 49.99  |        |        |        |        |        |        | 26.97  |        |        |        |        | 38.48%        |             |
| AMR Corp.                     | 9      | 001765AC0 | Deb                 | 09/15/2016    | D               | 49.71  | 49.99  | 33.60  | 34.23  | 34.65  | 27.30  | 23.85  |        | 23.14  | 24.38  | 22.84  | 16.39  | 30.92%        | 21.20%      |
| AMR Corp.                     | 10.2   | 001765AE6 | Deb                 | 03/15/2020    | D               | 43.78  | 43.12  | 29.40  | 26.43  | 26.70  | 22.85  | 20.24  | 21.78  | 19.74  | 20.73  | 19.33  | 15.06  | 25.76%        | 18.37%      |
| AMR Corp.                     | 10     | 001765AK2 | Deb                 | 04/15/2021    | D               | 41.41  | 40.77  | 27.81  | 24.86  | 25.29  | 21.62  | 19.19  | 20.59  | 18.71  | 19.62  | 18.32  | 14.41  | 24.38%        | 17.45%      |
| AMR Corp.                     | 9.88   | 001765AG1 | Deb                 | 06/15/2020    | NR              | 42.85  | 42.19  | 28.79  | 25.87  | 26.14  | 22.14  | 19.59  | 21.06  | 19.09  | 20.07  | 18.72  | 14.59  | 25.09%        | 17.79%      |
| AMR Corp.                     | 9.75   | 001765AP1 | Deb                 | 08/15/2021    | NR              | 36.36  | 38.75  | 27.32  | 24.13  | 24.85  | 21.01  | 18.65  | 20.01  | 18.17  | 19.04  | 17.78  | 14.01  | 23.34%        | 16.94%      |
| AMR Corp.                     | 9.8    | 001765AQ9 | Deb                 | 10/01/2021    | NR              | 39.50  | 38.89  | 26.49  | 24.13  | 24.93  | 21.00  | 18.64  | 19.99  | 18.18  | 19.04  | 17.78  | 14.03  | 23.55%        | 16.95%      |
| United Air Lines              | 9.875  |           | Sr Secd Nt 144a     | 8/1/2013      | NR              | 7.37   | 4.40   | 4.65   | 5.14   | 6.67   | 6.55   | 6.16   | 7.19   | 7.45   | 7.72   | 8.65   | 9.26   | 6.77%         | 8.54%       |
| United Air Lines              | 10.36  | 909279AQ4 | Eq Tr '91E          | 11/27/2012    | NR              | 16.22  | 16.22  | 16.22  | 16.22  |        |        |        |        |        |        |        |        | 16.22%        |             |
| United Air Lines              | 10.85  | 909279AH4 | Eq Tr '91B          | 02/19/2015    | NR              | 28.84  | 28.84  | 28.84  | 28.84  |        |        |        |        |        |        |        |        | 28.84%        |             |
| Counts of data                |        |           |                     |               |                 | 21     | 19     | 20     | 20     | 17     | 17     | 17     | 17     | 17     | 19     | 18     | 18     | 24            | 19          |

NOTES:

Data downloaded from the S&P website and missing data supplemented from month end Bond Guides when available.

means the data was not available in S&P Guide

means issuance matured or called

[illegible]

|                              |     |              |                |              |                |
|------------------------------|-----|--------------|----------------|--------------|----------------|
| longest term passenger bonds |     |              |                |              |                |
|                              | ALL | Freight Only | Passenger Only | Freight Only | Passenger Only |

|              |        |         |              |         |                |         | 20 YEAR PLUS BONDS |         |                |         |
|--------------|--------|---------|--------------|---------|----------------|---------|--------------------|---------|----------------|---------|
|              | ALL    |         | Freight Only |         | Passenger Only |         | Freight Only       |         | Passenger Only |         |
|              | Annual | 4th Qtr | Annual       | 4th Qtr | Annual         | 4th Qtr | Annual             | 4th Qtr | Annual         | 4th Qtr |
| BBB's        | 2.95%  | 3.06%   | 3.00%        | 3.21%   | 2.90%          | 2.88%   | 4.56%              | 4.32%   | 5.77%          | 2.69%   |
| BB's         | 6.71%  | 6.83%   |              |         | 6.71%          | 6.83%   |                    |         |                |         |
| CCC - NR     | 22.47% | 15.12%  |              |         | 22.47%         | 15.12%  |                    |         | 3.86%          | 3.71%   |
|              |        |         |              |         |                |         |                    |         |                |         |
| ALL          | 12.30% | 8.56%   | 3.00%        | 3.21%   | 15.40%         | 10.47%  | 4.56%              | 4.32%   | 4.82%          | 4.54%   |
| BBB- & Above | 2.95%  | 3.06%   | 3.00%        | 3.21%   | 2.90%          | 2.88%   | 4.56%              | 4.32%   | 5.77%          | 5.38%   |
| BB- & Above  | 3.26%  | 3.44%   | 3.00%        | 3.21%   | 3.53%          | 3.67%   |                    |         |                |         |

\*Investment Grade (BBB- & Above)